

Town of Lunenburg

Finance Committee:

Mark Erickson, Chairman
Brian Laffond, Vice-Chairman
Terri Burchfield, Co-Secretary
Jason Smith, Co-Secretary
John Male
Scott Gile
Steven Raboin



Mark Erickson
9/20/12

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Lunenburg Finance Committee
Minutes
9/13/2012

SEP 24 2012

LUNENBURG TOWN
CLERK OFFICE

Location: Town Hall
Present: M. Erickson, B. Laffond, J. Male, S. Gile, J. Smith, S. Raboin, T. Burchfield
Also Present: K. Brochu

1. Meeting called to order 7:02.
2. Education on Pension Plans
Kevin Blanchett, Chairman and CEO of the Worcester Regional Retirement System (WRRS), presented some history of the system, how it is funded, and steps it is taking to be fully funded by 2040. The transition to actuarial billing and its effect on the town portion of the pension liability has been tapered to ease effects on town budgets in the short term. He also distributed data comparing Lunenburg against the whole of the membership. With the exception of licensed school staff covered by the Mass Teacher Retirement System, all town employees participate in the WRRS.
3. Communications
Comments from the public:
The question was raised as to whether the School Department transferred funds from the Capital article to fund salaries in the School budget. The question was referred to the School Committee, but Mark E will also check with the Town Manager.
Publications and notices:
The Association of Town Finance Committees will have its 2012 annual meeting on October 20th. New members are encouraged to attend. Registration closes October 10th.
4. Review minutes of 8/9/2012
TB motioned to approve, SG seconded. Approved 6-0
5. Committee/Department updates
SG spoke with Mr. Rodriguez of the DPW. Among items discussed was the potential to use betterments for road repairs and drainage issues.
SR attended the last Council on Aging meeting where they were discussing the use of funds received through the Lunenburg Relief Day.
ME reviewed progress of School Building Committee moving forward to selection of an Owner Project Manager (OPM).
JM We are still waiting on a sewer cost reconciliation on the costs to connect town buildings and debt service. Karen will present the numbers at the first meeting in October (Oct. 11).
ME also raised some concern regarding legislation that could change funding mechanisms for vocational schools, and is waiting to hear back from Rep. Benson with more particulars.
6. Town Manager report
There was no report from the Town Manager. Tom Alonzo did respond to a request for regional dispatch update stating that meetings were ongoing.
7. Next meeting
September 20th we will have a public hearing on the special town meeting warrant articles. Special town meeting will be Tuesday, September 25th. If necessary, we will meet at 6:30 on the 25th to discuss recommendations.
8. SG motioned to adjourn at 8:55. SR seconded, approved 7-0.

Minutes respectfully submitted by Terri Burchfield.

Worcester Regional Contributory Retirement System

LUNENBURG - 360

Valuation Results as of January 1, 2010

Summary of Member Data	Member Unit	Worcester Regional
<i>Active Members</i>	127,766	6,236,000
Average Age	48.3	47.1
Average Service	10.2	9.6
Valuation Salary	\$4,909,225	\$241,992,607
Average Salary	\$38,424	\$38,806
<i>Retired Members and Beneficiaries</i>	70,000	2,686,000
Average Age	73.0	74.3
Total Annual Pension	\$853,819	\$37,900,202
Average Annual Pension	\$12,197	\$14,110
<i>Disabled Members</i>	8,000	215,000
Average Age	68.2	63.0
Total Annual Pension	\$143,774	\$5,583,375
Average Annual Pension	\$17,972	\$25,969
<i>Inactive Members</i>	48,000	2,324,000
Annuity Savings Fund	\$300,530	\$12,337,781

Employer Normal Cost as of January 1, 2010

a. Total Normal Cost	\$610,756	\$28,380,595
b. Administrative Expenses	0	0
c. Expected Employee Contributions	419,771	20,001,488
d. Employer Normal Cost = a. + b. - c.	\$190,985	\$8,379,107

Unfunded Actuarial Accrued Liability (UAAL) as of January 1, 2010

a. Active Members	\$10,674,822	\$447,237,663
b. Retired Members and Beneficiaries	8,022,192	345,279,655
c. Disabled Members - Accidental	1,011,441	52,704,189
d. Disabled Members - Ordinary <i>ag?</i>	88,160	5,442,779
e. Inactive Members	300,530	12,337,781
f. Total AAL = a. + b. + c. + d. + e.	\$20,097,145	\$863,002,067
g. Actuarial Value of Assets	\$10,093,204	\$413,976,785
h. Unfunded Actuarial Accrued Liability = f. - g.	\$10,003,941	\$449,025,282

GASB Statement Numbers 25 and 27

a. Actuarial Accrued Liability	\$20,097,145	\$863,002,067
b. Actuarial Value of Assets	10,093,204	413,976,785
c. Unfunded Actuarial Accrued Liability (UAAL) = a. - b.	\$10,003,941	\$449,025,282
d. Funded Ratio = b. ÷ a.	50.2%	48.0%
e. Covered Payroll	\$4,909,225	\$241,992,607
f. UAAL as a Percentage of Covered Payroll = c. ÷ e.	203.8%	185.6%
g. Annual Required Contribution (ARC)	\$595,713	\$33,072,000
h. Net Pension Obligation	\$0	\$0

Annual Appropriations

Calculations for the annual appropriations for fiscal years 2012 and 2013 are shown on the back side of this exhibit.

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Annual Appropriations for Fiscal Years 2012 and 2013

FY12 Appropriation (Salary Allocation Method)		Member Unit	Worcester Regional
a.	Employer Normal Cost	\$171,308	\$8,942,193
b.	Payment on UAL	437,963	22,861,407
c.	Payment on 2002 ERI	0	1,060,480
d.	Payment on 2003 ERI	0	207,920
e.	Total Appropriation = a. + b. + c. + d.	\$609,271	\$33,072,000

FY13 Appropriation

For FY13, the Annual Appropriation for each member unit will be based on a phase-in to the actuarial method. In the past, the System computed each member units' appropriation by allocating the total System appropriation to the member units based on the proportion that the member unit's total salary is to the System's total salary.

For future appropriations, the Retirement Board will determine each member units' appropriation based on the actuarial method, which means that the actual results of the actuarial valuation will be used to determine the appropriations due. This may result in either a decrease or an increase from the results determined under the salary allocation method.

To mitigate wide fluctuations in the annual appropriation from FY12 to FY13, the Board has decided to phase-in the use of the actuarial method. For FY13 and FY14, the Annual Appropriations will be based on a portion of the salary allocation method and a portion of the actuarial method. FY15 and after will fully reflect the use of the actuarial method.

FY13 = 66.67% of the salary allocation method PLUS 33.33% of the actuarial method.

FY14 = 33.33% of the salary allocation method PLUS 66.67% of the actuarial method

FY15 and after = 100% of the actuarial method.

Below are the calculations for FY13 under both the salary allocation method (using 2011 member unit salaries) and the actuarial method, followed by the FY13 phase-in calculation:

2011 Salary	\$4,356,748.04	228,749,418.29
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Salary Allocation Method:

f.	Employer Normal Cost	\$171,358	\$8,997,083
g.	Payment on UAL	471,078	24,733,758
h.	Payment on 2002 ERI	0	1,108,202
i.	Payment on 2003 ERI	0	217,277
j.	Total Appropriation = f. + g. + h. + i.	\$642,436	\$35,056,320

Actuarial Allocation Method:

k.	Employer Normal Cost	\$206,609	\$8,997,083
l.	Payment on UAL	603,036	24,733,758
m.	Payment on 2002 ERI	0	1,108,202
n.	Payment on 2003 ERI	0	217,277
o.	Total Appropriation = k. + l. + m. + n.	\$809,645	\$35,056,320

FY13 Phase-In Method:

p.	66.67% of Salary Allocation Method = .6667 * j.	\$428,312	
q.	33.33% of Actuarial Allocation Method = .3333 * o.	269,855	
r.	Total Appropriation = p. + q.	\$698,167	\$35,056,320

If Total Appropriation paid on July 1, 2012	\$684,989
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